Government of Canada Gouvernement du Canada

Department of Finance Canada

Canada

The Fiscal Monitor
A publication of the Department of Finance

Highlights

November 2015: budgetary surplus of $0.4 billion

There was a budgetary surplus of $0.4 billion in November 2015, compared to a surplus of $0.6 billion in November 2014. Revenues increased by $1.1 billion, or 4.8 per cent, mainly reflecting higher corporate income tax revenues. Program expenses increased by $1.6 billion, or 8.1 per cent, primarily reflecting increases in major transfers to persons and direct program expenses. Public debt charges decreased by $0.3 billion, or 12.7 per cent, largely reflecting lower consumer price adjustments on Real Return Bonds.

April to November 2015: budgetary surplus of $1.0 billion

For the April to November 2015 period of the 2015–16 fiscal year, the Government posted a budgetary surplus of $1.0 billion, compared to a deficit of $3.3 billion reported in the same period of 2014–15. Revenues were up $14.2 billion, or 8.2 per cent, reflecting increases in all revenue sources. Program expenses were up $10.7 billion, or 6.8 per cent, reflecting increases in major transfers to persons and other levels of government and direct program expenses. Public debt charges were down $0.9 billion, or 4.7 per cent, largely reflecting a lower average effective interest rate on bonds.

November 2015

There was a budgetary surplus of $0.4 billion in November 2015, compared to a surplus of $0.6 billion in November 2014.

Revenues in November 2015 totalled $23.9 billion, up $1.1 billion or 4.8 per cent, from November 2014.

- Personal income tax revenues were up $0.1 billion, or 0.4 per cent.
- Corporate income tax revenues were up $1.3 billion, or 55.2 per cent.
- Non-resident income tax revenues were up $24 million, or 5.1 per cent.
- Excise taxes and duties were down $0.1 billion, or 2.3 per cent. Goods and Services Tax (GST) revenues decreased by $0.2 billion, energy taxes by $8 million, and other excise taxes and duties by $7 million. Customs import duties increased by $0.1 billion.
- Employment Insurance (EI) premium revenues were up $34 million, or 3.3 per cent.
- Other revenues, consisting of net profits from enterprise Crown corporations, revenues of consolidated Crown corporations, revenues from sales of goods and services, returns on investments, net foreign exchange revenues and miscellaneous revenues, were down $0.2 billion or 8.4 per cent.

Program expenses in November 2015 were $21.5 billion, up $1.6 billion, or 8.1 per cent, from November 2014.

- Major transfers to persons, consisting of elderly, EI and children's benefits, increased by $0.8 billion, or 12.4 per cent. Elderly benefits increased by $0.2 billion, or 5.3 per cent, due to growth in the elderly population and changes in consumer prices, to which benefits are fully

indexed. EI benefit payments increased by $0.2 billion, or 12.4 per cent. Children's benefits, which consist of the Canada Child Tax Benefit and the Universal Child Care Benefit (UCCB), increased by $0.4 billion, or 35.5 per cent, due mainly to the enhancement and expansion of the UCCB effective January 2015.

- Major transfers to other levels of government consist of federal transfers in support of health and other social programs (primarily the Canada Health Transfer and the Canada Social Transfer), fiscal arrangements and other transfers (Equalization, transfers to the territories, as well as a number of smaller transfer programs), transfers to provinces on behalf of Canada's cities and communities, and the Quebec Abatement. Major transfers to other levels of government increased by $0.2 billion, or 4.0 per cent, reflecting legislated growth in the Canada Health Transfer, the Canada Social Transfer, Equalization transfers and transfers to the territories.
- Direct program expenses include transfer payments to individuals and organizations not included in major transfers to persons and other levels of government, and other direct program expenses, which consist of operating expenses of National Defence, other departments and agencies, and expenses of Crown corporations. Direct program expenses were up $0.6 billion, or 7.5 per cent. Within direct program expenses:
    - Transfer payments decreased by $0.1 billion, or 3.3 per cent.
    - Other direct program expenses increased by $0.7 billion, or 12.2 per cent.

Public debt charges decreased by $0.3 billion, or 12.7 per cent, largely reflecting lower consumer price adjustments on Real Return Bonds.

April to November 2015

For the April to November 2015 period of the 2015–16 fiscal year, there was a budgetary surplus of $1.0 billion, compared to a deficit of $3.3 billion reported during the same period of 2014–15.

Revenues increased by $14.2 billion, or 8.2 per cent, to $187.2 billion.

- Personal income tax revenues were up $3.8 billion, or 4.5 per cent.
- Corporate income tax revenues were up $4.7 billion, or 23.1 per cent, largely reflecting assessments and reassessments for prior tax years as well as the timing of current-year tax instalments. Corporations are generally required to remit monthly instalment payments for the current year based on either their previous year's actual tax liability or their current year's projected tax liability. This practice can introduce a lag in the impact of economic events on monthly corporate income tax revenues, which will only unwind near the end of the fiscal year.
- Non-resident income tax revenues were up $0.3 billion, or 7.8 per cent.
- Excise taxes and duties were up $2.7 billion, or 8.4 per cent. GST revenues increased by $1.9 billion, or 8.8 per cent, energy taxes by $0.1 billion, customs import duties by $0.6 billion, and other excise taxes and duties by $0.1 billion.
- EI premium revenues were up $0.5 billion, or 3.6 per cent, reflecting growth in earnings.
- Other revenues were up $2.2 billion, or 12.5 per cent, primarily reflecting the gain realized on the sale of the Government's remaining holdings of General Motors common shares in April 2015.

For the April to November 2015 period, program expenses were $168.3 billion, up $10.7 billion, or 6.8 per cent, from the same period the previous year.

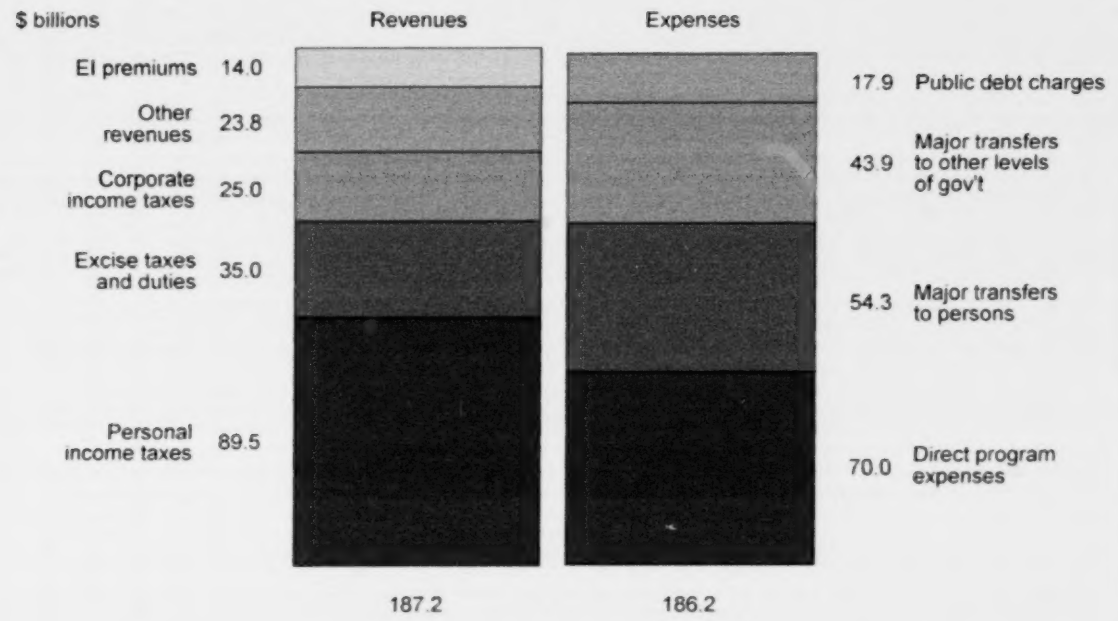
- Major transfers to persons were up $5.4 billion, or 11.1 per cent. Elderly benefits increased by $1.3 billion, or 4.3 per cent, reflecting growth in the elderly population and changes in consumer prices, to which benefits are fully indexed. EI benefit payments increased by $0.9 billion, or

7.5 per cent, and children's benefits were up $3.3 billion, or 38.4 per cent, largely reflecting increased benefits related to the enhancement and expansion of the UCCB.

- Major transfers to other levels of government were up $1.5 billion, or 3.6 per cent, largely reflecting legislated growth in the Canada Health Transfer, the Canada Social Transfer, Equalization transfers and transfers to the territories.
- Direct program expenses were up $3.7 billion, or 5.6 per cent. Within direct program expenses:
  - Transfer payments increased by $0.1 billion, or 0.5 per cent.
  - Other direct program expenses increased by $3.6 billion, or 7.8 per cent, reflecting in large part an increase in pension and other employee and veteran future benefit expenses.

Public debt charges decreased by $0.9 billion, or 4.7 per cent, largely reflecting a lower average effective interest rate on bonds.

Revenues and expenses (April to November 2015)



Note: Totals may not add due to rounding.

Financial requirement of $12.7 billion for April to November 2015

The budgetary balance is presented on an accrual basis of accounting, recording government revenues and expenses when they are earned or incurred, regardless of when the cash is received or paid. In contrast, the financial source/requirement measures the difference between cash coming in to the Government and cash going out. This measure is affected not only by changes in the budgetary balance but also by the cash source/requirement resulting from the Government's investing activities through its acquisition of capital assets and its loans, financial investments and advances, as well as from other activities, including payment of accounts payable and collection of accounts receivable, foreign exchange activities, and the amortization of its tangible capital assets. The difference between the budgetary balance and financial source/requirement is recorded in non-budgetary transactions.

With a budgetary surplus of $1.0 billion and a financial requirement of $13.7 billion from non-budgetary transactions, there was a financial requirement of $12.7 billion for the April to November 2015 period, compared to a financial source of $0.3 billion for the same period the previous year.

Net financing activities up $32.2 billion

The Government financed this financial requirement of $12.7 billion and increased cash balances by $19.5 billion by increasing unmatured debt by $32.2 billion. The increase in unmatured debt was achieved primarily through the issuance of marketable bonds and treasury bills.

The level of cash balances varies from month to month based on a number of factors including periodic large debt maturities, which can be quite volatile on a monthly basis. Cash balances at the end of November 2015 stood at $47.5 billion, up $13.7 billion from their level at the end of November 2014.

Table 1
Summary statement of transactions
$ millions

	November		April to November	
	2014	2015	2014–15	2015–16
Budgetary transactions				
Revenues	22,772	23,874	173,038	187,204
Expenses				
Program expenses	-19,926	-21,540	-157,614	-168,301
Public debt charges	-2,224	-1,942	-18,752	-17,876
Budgetary balance (deficit/surplus)	622	392	-3,328	1,027
Non-budgetary transactions	197	2,079	3,657	-13,741
Financial source/requirement	819	2,471	329	-12,714
Net change in financing activities	685	4,388	7,358	32,217
Net change in cash balances	1,504	6,859	7,687	19,503
Cash balance at end of period			33,759	47,453

Note: Positive numbers indicate a net source of funds. Negative numbers indicate a net requirement for funds.

Table 2
Revenues

	November			April to November		
	2014 ($ millions)	2015 ($ millions)	Change (%)	2014–15 ($ millions)	2015–16 ($ millions)	Change (%)
Tax revenues						
Income taxes						
Personal income tax	12,174	12,227	0.4	85,648	89,460	4.5
Corporate income tax	2,329	3,615	55.2	20,285	24,963	23.1
Non-resident income tax	467	491	5.1	3,646	3,929	7.8
Total income tax	14,970	16,333	9.1	109,579	118,352	8.0
Excise taxes and duties						
Goods and Services Tax	3,219	3,036	-5.7	21,542	23,439	8.8
Energy taxes	476	468	-1.7	3,682	3,803	3.3
Customs import duties	336	429	27.7	3,059	3,619	18.3
Other excise taxes and duties	480	473	-1.5	3,994	4,113	3.0
Total excise taxes and duties	4,511	4,406	-2.3	32,277	34,974	8.4
Total tax revenues	19,481	20,739	6.5	141,856	153,326	8.1
Employment Insurance premiums	1,036	1,070	3.3	13,559	14,047	3.6
Other revenues	2,255	2,065	-8.4	17,623	19,831	12.5
Total revenues	22,772	23,874	4.8	173,038	187,204	8.2

Note: Totals may not add due to rounding.

Table 3
Expenses

	November			April to November		
	2014 ($ millions)	2015 ($ millions)	Change (%)	2014–15 ($ millions)	2015–16 ($ millions)	Change (%)
Major transfers to persons						
Elderly benefits	3,659	3,852	5.3	28,836	30,087	4.3
Employment Insurance benefits	1,457	1,638	12.4	11,422	12,274	7.5
Children's benefits	1,122	1,520	35.5	8,656	11,978	38.4
Total	6,238	7,010	12.4	48,914	54,339	11.1
Major transfers to other levels of government						
Support for health and other social programs						
Canada Health Transfer	2,676	2,836	6.0	21,409	22,683	6.0
Canada Social Transfer	1,048	1,080	3.1	8,388	8,639	3.0
Total	3,724	3,916	5.2	29,797	31,322	5.1
Fiscal arrangements and other transfers[1]	1,625	1,687	3.8	13,737	14,172	3.2
Canada's cities and communities	260	246	-5.4	1,849	1,597	-13.6
Quebec Abatement	-363	-395	8.8	-2,994	-3,165	5.7
Total	5,246	5,454	4.0	42,389	43,926	3.6
Direct program expenses						
Transfer payments						
Aboriginal Affairs and Northern Development	440	449	2.0	4,044	4,224	4.5
Agriculture and Agri-Food	215	198	-7.9	561	803	43.1

Employment and Social Development	638	570	-10.7	3,589	3,603	0.4
Foreign Affairs, Trade and Development	185	194	4.9	1,360	1,646	21.0
Health	195	245	25.6	1,977	2,018	2.1
Industry	111	169	52.3	1,436	1,552	8.1
Other[1]	766	642	-16.2	6,716	5,934	-11.6
Total	2,550	2,467	-3.3	19,683	19,780	0.5
Other direct program expenses						
Crown corporations	742	716	-3.5	4,852	5,449	12.3
National Defence	1,660	2,037	22.7	13,204	14,765	11.8
All other departments and agencies	3,490	3,856	10.5	28,572	30,042	5.1
Total other direct program expenses	5,892	6,609	12.2	46,628	50,256	7.8
Total direct program expenses	8,442	9,076	7.5	66,311	70,036	5.6
Total program expenses	19,926	21,540	8.1	157,614	168,301	6.8
Public debt charges	2,224	1,942	-12.7	18,752	17,876	-4.7
Total expenses	22,150	23,482	6.0	176,366	186,177	5.6

Note: Totals may not add due to rounding.

[1] Comparative figures have been reclassified to conform to the presentation in the 2014-15 Consolidated Financial Statements of the Government of Canada.

Table 4
The budgetary balance and financial source/requirement
$ millions

	November		April to November	
	2014	2015	2014–15	2015–16
Budgetary balance (deficit/surplus)	622	392	-3,328	1,027
Non-budgetary transactions				
Capital investment activities	-258	-372	-2,258	-2,682
Other investing activities	-709	-572	3,190	-4,362
Pension and other accounts	237	287	1,140	3,166
Other activities				
Accounts payable, receivables, accruals and allowances	1,925	3,492	-1,143	-6,248
Foreign exchange activities	-1,243	-1,107	138	-6,523
Amortization of tangible capital assets	245	351	2,590	2,908
Total other activities	927	2,736	1,585	-9,863
Total non-budgetary transactions	197	2,079	3,657	-13,741
Financial source/requirement	819	2,471	329	-12,714

Note: Totals may not add due to rounding.

Table 5
Financial source/requirement and net financing activities
$ millions

	November		April to November	
	2014	2015	2014–15	2015–16
Financial source/requirement	819	2,471	329	-12,714
Net increase (+)/decrease (-) in financing activities				
Unmatured debt transactions				
Canadian currency borrowings				
Marketable bonds	-2,256	-2,025	15,775	13,485
Treasury bills	2,600	6,700	-5,900	13,500
Retail debt	-571	-918	-788	-1,044
Other	0	0	0	0
Total	-227	3,757	9,087	25,941
Foreign currency borrowings	146	-148	-2,066	2,955
Total	-81	3,609	7,021	28,896
Cross-currency swap revaluation	658	678	469	2,979
Unamortized discounts and premiums on market debt	122	117	195	486
Obligations related to capital leases and other unmatured debt	-14	-16	-327	-144
Net change in financing activities	685	4,388	7,358	32,217
Change in cash balance	1,504	6,859	7,687	19,503

Note: Totals may not add due to rounding.

Table 6
Condensed statement of assets and liabilities
$ millions

	March 31, 2015	November 30, 2015	Change
Liabilities			
Accounts payable and accrued liabilities	123,631	117,496	-6,135
Interest-bearing debt			
Unmatured debt			
Payable in Canadian currency			
Marketable bonds	487,881	501,366	13,485
Treasury bills	135,692	149,192	13,500
Retail debt	5,660	4,616	-1,044
Subtotal	629,233	655,174	25,941
Payable in foreign currencies	20,267	23,222	2,955
Cross-currency swap revaluation	6,669	9,648	2,979
Unamortized discounts and premiums on market debt	4,296	4,782	486
Obligations related to capital leases and other unmatured debt	4,715	4,571	-144
Total unmatured debt	665,180	697,397	32,217
Pension and other liabilities			
Public sector pensions	152,664	152,299	-365
Other employee and veteran future benefits	76,140	79,945	3,805
Other liabilities	6,002	5,728	-274
Total pension and other liabilities	234,806	237,972	3,166

Total interest-bearing debt	899,986	935,369	35,383
Total liabilities	1,023,617	1,052,865	29,248
Financial assets			
Cash and accounts receivable	136,696	156,312	19,616
Foreign exchange accounts	85,018	91,541	6,523
Loans, investments, and advances (net of allowances)[1]	113,681	116,456	2,775
Public sector pension assets	1,263	1,263	0
Total financial assets	336,658	365,572	28,914
Net debt	686,959	687,293	334
Non-financial assets	74,629	74,403	-226
Federal debt (accumulated deficit)	612,330	612,890	560

Note: Totals may not add due to rounding.

[1] November 30, 2015 amount includes $1.6 billion in other comprehensive losses from enterprise Crown corporations and other government business enterprises for the April to November 2015 period.

Note: Unless otherwise noted, changes in financial results are presented on a year-over-year basis.

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